

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended February 29, 2008

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Breckenridge	County Gratiot
Fiscal Year End February 29, 2008	Opinion Date March 20, 2008	Date Audit Report Submitted to State March 27, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Authorizing CPA Signature 		Printed Name Mark J. Campbell	
		License Number 1101007803	

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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March 20, 2008

## INDEPENDENT AUDITOR'S REPORT

To the Village Council  
Village of Breckenridge  
Gratiot County, Michigan

We have audited the accompanying financial statements of the governmental activities, business type activities and each major fund of the Village of Breckenridge, Gratiot County, Michigan, as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Breckenridge's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund of the Village of Breckenridge, Gratiot County, Michigan, as of February 29, 2008, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America..

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2008, on our consideration of the Village of Breckenridge's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the general Village's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., PC*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended February 29, 2008

The Management's Discussion and Analysis report of the Village of Breckenridge covers the Village's financial performance during the year ended February 29, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at February 29, 2008 totaled \$1,296,437.26 for governmental activities and \$1,141,118.36 for business-type activities. Overall total capital assets remained approximately the same.

Overall revenues were \$1,185,640.02 (\$920,936.72 from governmental activities and \$264,703.30 from business-type activities). Governmental activities had a \$29,295.12 decrease in net assets. Business-type activities had a decrease in net assets of \$19,727.73.

We entered into a new contract payable of \$28,035.00 for new cemetery land.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Village and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Village as a whole using accounting methods used by private companies. The statement of net assets includes all of the Village's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Village are reported as governmental activities and business-type activities. These include the General Fund, the Major Street Fund, the Local Street Fund, the Library Fund, the Cemetery Fund, the Water Fund and the Sewer Fund.

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

**MANAGEMENT'S DISCUSSION AND ANALYSIS- ENTITY-WIDE  
FINANCIAL INFORMATION – CONDENSED FINANCIAL INFORMATION**

February 29, 2008

	Governmental Activities 2008	Business-type Activities 2008	Total 2008
Current Assets	656 276	199 969	856 245
Restricted assets	-	190 426	190 426
Capital Assets	<u>692 031</u>	<u>1 218 631</u>	<u>1 910 662</u>
<b>Total Assets</b>	<u><b>1 348 307</b></u>	<u><b>1 609 026</b></u>	<u><b>2 957 333</b></u>
Current Liabilities	21 808	37 908	59 716
Non-current Liabilities	<u>30 062</u>	<u>430 000</u>	<u>460 062</u>
<b>Total Liabilities</b>	<u><b>51 870</b></u>	<u><b>467 908</b></u>	<u><b>519 778</b></u>
<b>Net Assets:</b>			
Invested in Capital			
Assets	661 969	758 631	1 420 600
Restricted	94 422	190 426	284 848
Unrestricted	<u>540 046</u>	<u>192 061</u>	<u>732 107</u>
<b>Total Net Assets</b>	<u><b>1 296 437</b></u>	<u><b>1 141 118</b></u>	<u><b>2 437 555</b></u>

	Governmental Activities 2008	Business-type Activities 2008	Total 2008
<b>Program Revenues:</b>			
Fees and charges for services	174 644	264 703	439 347
<b>General Revenues:</b>			
Property taxes	353 737	-	353 737
State revenue sharing	268 433	-	268 433
Interest	11 089	6 640	17 729
Miscellaneous	<u>113 034</u>	<u>-</u>	<u>113 034</u>
<b>Total Revenues</b>	<u><b>920 937</b></u>	<u><b>271 343</b></u>	<u><b>1 192 280</b></u>
<b>Program Expenses:</b>			
General Government and Administration	273 845	-	273 845
Public Safety	223 126	-	223 126
Public Works	323 086	-	323 086
Water and sewer	-	320 366	320 366
Recreation and Culture	116 834	-	116 834
Other	<u>570</u>	<u>-</u>	<u>570</u>
<b>Total Expenses</b>	<u><b>937 461</b></u>	<u><b>320 366</b></u>	<u><b>1 257 827</b></u>
<b>Increase (Decrease) in Net Assets</b>	<b>(16 524)</b>	<b>(49 023)</b>	<b>(65 547)</b>
<b>Net Assets, March 1</b>	<u><b>1 312 961</b></u>	<u><b>1 190 141</b></u>	<u><b>2 503 102</b></u>
<b>Net Assets, February 29</b>	<u><b>1 296 437</b></u>	<u><b>1 141 118</b></u>	<u><b>2 437 555</b></u>

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended February 29, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village Council may also create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Village has the following types of funds:

**Governmental Funds:** Some of the Village's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental funds include the General Fund, the Major Street Fund, the Local Street Fund, the Library Fund, and the Cemetery Fund.

**Business Type Funds:** The Village has a Water Fund and a Sewer Fund which includes the activity of providing water and sewer to Village residents.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Our cash position in both the governmental and business-type activities remains strong.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

The General Fund had a decrease in fund balance of \$7,509.29. The Major Street Fund had an increase in fund balance of \$256.33. The Local Street Fund had an increase in fund balance of \$31,058.34. The Cemetery Fund had a decrease in fund balance of \$17,547.94 and the Library Fund had a decrease in fund balance of \$18,493.37.

The Water Fund had a decrease in net assets of \$19,727.73 and the Sewer Fund had a decrease in net assets of \$29,295.12.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Village's governmental activities invested \$71,174.06 in capital assets.  
The Village's business-type activities invested \$27,043.00 in capital assets.  
The Village's governmental activities paid \$8,333.03 of principal on long-term debt.  
The Village's business-type activities paid \$30,000.00 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE VILLAGE'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Village's finances and to demonstrate the Village's accountability for the revenues it receives. If you have any questions concerning this report please contact the Village Clerk at (989)842-3109.

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

February 29, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash on hand	400 00	-	400 00
Cash in bank	609 014 26	324 114 49	933 128 75
Accounts receivable	1 073 44	26 205 32	27 278 76
Taxes receivable	28 764 68	-	28 764 68
Due from State of Michigan	<u>17 023 96</u>	<u>-</u>	<u>17 023 96</u>
<b>Total Current Assets</b>	<u>656 276 34</u>	<u>350 319 81</u>	<u>1 006 596 15</u>
<b>Restricted Cash in Bank</b>	<u>-</u>	<u>40 075 26</u>	<u>40 075 26</u>
<b>NON-CURRENT ASSETS:</b>			
Capital Assets	937 052 80	2 795 759 70	3 732 812 50
Less: Accumulated Depreciation	<u>(245 021 59)</u>	<u>(1 577 128 60)</u>	<u>(1 822 150 19)</u>
<b>Total Non-current Assets</b>	<u>692 031 21</u>	<u>1 218 631 10</u>	<u>1 910 662 31</u>
<b>TOTAL ASSETS</b>	<u>1 348 307 55</u>	<u>1 609 026 17</u>	<u>2 957 333 72</u>
<b>LIABILITIES AND NET ASSETS:</b>			
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	8 205 32	4 120 01	12 325 33
Accrued compensated absences	13 602 40	3 787 80	17 390 20
Current portion of long-term debt	<u>-</u>	<u>30 000 00</u>	<u>30 000 00</u>
<b>Total Current Liabilities</b>	<u>21 807 72</u>	<u>37 907 81</u>	<u>59 715 53</u>
<b>NON-CURRENT LIABILITIES:</b>			
Contracts payable	30 062 57	-	30 062 57
Bonds payable, net of current portion	<u>-</u>	<u>430 000 00</u>	<u>430 000 00</u>
<b>Total Non-current Liabilities</b>	<u>30 062 57</u>	<u>430 000 00</u>	<u>460 062 57</u>
<b>Total Liabilities</b>	<u>51 870 29</u>	<u>467 907 81</u>	<u>519 778 10</u>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt	661 968 64	758 631 10	1 420 599 74
Restricted	94 422 30	40 075 26	134 497 56
Unrestricted	<u>540 046 32</u>	<u>342 412 00</u>	<u>882 458 32</u>
<b>Total Net Assets</b>	<u>1 296 437 26</u>	<u>1 141 118 36</u>	<u>2 437 555 62</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>1 348 307 55</u>	<u>1 609 026 17</u>	<u>2 957 333 72</u>

The accompanying notes are an integral part of these financial statements.



VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended February 29, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	22 800 69	-	(22 800 69)
General government	251 045 05	43 628 75	(207 416 30)
Public safety	223 125 76	-	(223 125 76)
Public works	323 085 72	55 416 00	(267 669 72)
Recreation and culture	116 834 04	75 599 66	(41 234 38)
Interest on long-term debt	569 76	-	(569 76)
Total Governmental Activities	<u>937 461 02</u>	<u>174 644 41</u>	<u>(762 816 61)</u>
Business -Type Activities:			
Water and Sewer	320 365 97	264 703 30	-
Total Business-Type Activities	<u>320 365 97</u>	<u>264 703 30</u>	-
Total Government	<u>1 257 826 99</u>	<u>439 347 71</u>	<u>(762 816 61)</u>
General Revenues:			
Property taxes			353 736 40
State revenue sharing			268 433 11
Interest			11 088 70
Miscellaneous			<u>113 034 10</u>
Total General Revenues			<u>746 292 31</u>
Change in net assets			(16 524 30)
Net assets, beginning of year			<u>1 312 961 56</u>
Net Assets, End of Year			<u>1 296 437 26</u>

The accompanying notes are an integral part of these financial statements.

<u>Business-Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(22 800 69)
-	(207 416 30)
-	(223 125 76)
-	(267 669 72)
-	(41 234 38)
-	(569 76)
-	(762 816 61)
<u>(55 662 67)</u>	<u>(55 662 67)</u>
<u>(55 662 67)</u>	<u>(55 662 67)</u>
<u>(55 662 67)</u>	<u>(818 479 28)</u>
-	353 736 40
-	268 433 11
6 639 82	17 728 52
-	113 034 10
<u>6 639 82</u>	<u>752 932 13</u>
(49 022 85)	(65 547 15)
<u>1 190 141 21</u>	<u>2 503 102 77</u>
<u>1 141 118 36</u>	<u>2 437 555 62</u>

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
February 29, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Library</u>
<u>Assets</u>				
Cash on hand	200 00	-	-	200 00
Cash in bank	231 272 02	105 990 11	106 079 40	56 958 16
Taxes receivable	28 764 68	-	-	-
Accounts receivable	-	-	-	1 073 44
Due from State of Michigan	-	12 332 05	4 691 91	-
Due from other funds	1 076 20	-	-	-
Total Assets	<u>261 312 90</u>	<u>118 322 16</u>	<u>110 771 31</u>	<u>58 231 60</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	7 869 87	-	-	335 45
Due to other funds	-	-	1 076 20	-
Compensated absences	10 484 80	-	-	3 117 60
Total liabilities	<u>18 354 67</u>	<u>-</u>	<u>1 076 20</u>	<u>3 453 05</u>
Fund equity:				
Fund balances:				
Reserved	-	-	-	-
Unreserved:				
Undesignated	242 958 23	118 322 16	109 695 11	54 778 55
Total fund equity	<u>242 958 23</u>	<u>118 322 16</u>	<u>109 695 11</u>	<u>54 778 55</u>
Total Liabilities and Fund Equity	<u>261 312 90</u>	<u>118 322 16</u>	<u>110 771 31</u>	<u>58 231 60</u>

The accompanying notes are an integral part of these financial statements.

<u>Cemetery</u>	<u>Total</u>
-	400 00
108 714 57	609 014 26
-	28 764 68
-	1 073 44
-	17 023 96
-	1 076 20
<u>108 714 57</u>	<u>657 352 54</u>

-	8 205 32
-	1 076 20
-	13 602 40
-	22 883 92

94 422 30	94 422 30
<u>14 292 27</u>	<u>540 046 32</u>
<u>108 714 57</u>	<u>634 468 62</u>
<u>108 714 57</u>	<u>657 352 54</u>

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
February 29, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	634 468 62
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	937 052 80
Accumulated depreciation	(245 021 59)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Contracts payable	<u>(30 062 57)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>1 296 437 26</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended February 29, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Library</u>
<b>Revenues:</b>				
Property taxes	353 736 40	-	-	-
Licenses and permits	6 775 25	-	-	-
State revenue sharing	149 633 29	77 615 11	36 952 79	4 231 92
Charges for services:				
Cemetery	-	-	-	-
Library	-	-	-	4 010 74
Trash collection	55 416 00	-	-	-
Administrative	42 900 00	-	-	-
Tax collection	3 534 43	-	-	-
Fines and forfeits	3 010 91	-	-	68 578 01
Interest	4 241 34	318 42	271 21	1 450 37
Donations	5 540 00	-	-	1 630 00
Miscellaneous	50 723 63	-	-	6 040 47
<b>Total revenues</b>	<u>675 511 25</u>	<u>77 933 53</u>	<u>37 224 00</u>	<u>85 941 51</u>
<b>Expenditures:</b>				
Legislative:				
Village Council	22 800 69	-	-	-
General government:				
Village Manager	64 033 04	-	-	-
Elections	1 986 54	-	-	-
Financial administration	108 248 47	-	-	-
Village hall and grounds	44 005 69	-	-	-
Cemetery	-	-	-	-
Public safety:				
Police protection	207 573 66	-	-	-
Fire protection	5 668 89	-	-	-
Planning and zoning	1 726 75	-	-	-
Public works:				
Department of Public Works	149 265 56	-	-	-
Highways and Streets	-	57 213 70	26 629 16	-
Sanitation	52 743 30	-	-	-
Culture and recreation:				
Recreation	8 665 16	-	-	-
Library	-	-	-	104 434 88
Capital outlay	7 400 00	-	-	-
Debt service	8 902 79	-	-	-
<b>Total expenditures</b>	<u>683 020 54</u>	<u>57 213 70</u>	<u>26 629 16</u>	<u>104 434 88</u>

The accompanying notes are an integral part of these financial statements.

<u>Cemetery</u>	<u>Total</u>
-	353 736 40
-	6 775 25
-	268 433 11
33 319 07	33 319 07
-	4 010 74
-	55 416 00
-	42 900 00
-	3 534 43
-	71 588 92
4 807 36	11 088 70
-	7 170 00
<u>6 200 00</u>	<u>62 964 10</u>
<u>44 326 43</u>	<u>920 936 72</u>

-	22 800 69
-	64 033 04
-	1 986 54
-	108 248 47
-	44 005 69
26 135 31	26 135 31
-	207 573 66
-	5 668 89
-	1 726 75
-	149 265 56
-	83 842 86
-	52 743 30
-	8 665 16
-	104 434 88
63 774 06	71 174 06
-	<u>8 902 79</u>
<u>89 909 37</u>	<u>961 207 65</u>

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended February 29, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Library</u>
Excess (deficiency) of revenues over expenditures	<u>(7 509 29)</u>	<u>20 719 83</u>	<u>10 594 84</u>	<u>(18 493 37)</u>
Other financing sources (uses)				
Loan proceeds	-	-	-	-
Operating transfers in	-	-	20 463 50	-
Operating transfers out	<u>-</u>	<u>(20 463 50)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(20 463 50)</u>	<u>20 463 50</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(7 509 29)	256 33	31 058 34	(18 493 37)
Fund balances, March 1	<u>250 467 52</u>	<u>118 065 83</u>	<u>78 636 77</u>	<u>73 271 92</u>
Fund Balances, February 29	<u><u>242 958 23</u></u>	<u><u>118 322 16</u></u>	<u><u>109 695 11</u></u>	<u><u>54 778 55</u></u>

The accompanying notes are an integral part of these financial statements.



<u>Cemetery</u>	<u>Total</u>
<u>(45 582 94)</u>	<u>(40 270 93)</u>
28 035 00	28 035 00
-	20 463 50
<u>-</u>	<u>(20 463 50)</u>
<u>28 035 00</u>	<u>28 035 00</u>
(17 547 94)	(12 235 93)
<u>126 262 51</u>	<u>646 704 55</u>
<u>108 714 57</u>	<u>634 468 62</u>

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

Year ended February 29, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (12 235 93)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(55 760 46)
Capital Outlay	71 174 06

Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	8 333 03
--------------------------------------	----------

Loan proceeds is a revenue in the fund but it is not reported as revenue in the statement of activities although it does increase long-term debt in the statement of net assets.

(28 035 00)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

(16 524 30)

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

**STATEMENT OF NET ASSETS – BUSINESS-TYPE FUNDS**

February 29, 2008

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b><u>Assets</u></b>			
Current Assets:			
Cash in bank	156 868 09	16 895 25	173 763 34
Accounts receivable	9 826 73	16 378 59	26 205 32
Internal balances	11 495 08	(11 495 08)	-
Total current assets	<u>178 189 90</u>	<u>21 778 76</u>	<u>199 968 66</u>
Restricted assets:			
Cash in bank	-	190 426 41	190 426 41
Total restricted assets	<u>-</u>	<u>190 426 41</u>	<u>190 426 41</u>
Fixed assets:			
Land	22 399 00	3 001 00	25 400 00
Plant, property and equipment	1 528 219 28	1 242 140 42	2 770 359 70
Total fixed assets	1 550 618 28	1 245 141 42	2 795 759 70
Less: accumulated depreciation	(979 008 25)	(598 120 35)	(1 577 128 60)
Net fixed assets	<u>571 610 03</u>	<u>647 021 07</u>	<u>1 218 631 10</u>
Total Assets	<u>749 799 93</u>	<u>859 226 24</u>	<u>1 609 026 17</u>
<b><u>Liabilities and Net Assets</u></b>			
Current liabilities:			
Accounts payable	1 661 67	2 458 34	4 120 01
Compensated absences	1 893 90	1 893 90	3 787 80
Current portion of long-term debt	-	30 000 00	30 000 00
Total current liabilities	<u>3 555 57</u>	<u>34 352 24</u>	<u>37 907 81</u>
Long-term Liabilities:			
Bonds payable net of current portion	-	430 000 00	430 000 00
Total long-term liabilities	<u>-</u>	<u>430 000 00</u>	<u>430 000 00</u>
Net Assets:			
Invested in Capital Assets			
Net of Related Debt	571 610 03	187 021 07	758 631 10
Restricted	-	190 426 41	190 426 41
Unrestricted	174 634 33	17 426 52	192 060 85
Total net assets	<u>746 244 36</u>	<u>394 874 00</u>	<u>1 141 118 36</u>
Total Liabilities and Net Assets	<u>749 799 93</u>	<u>859 226 24</u>	<u>1 609 026 17</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET ASSETS – BUSINESS-TYPE FUNDS**  
Year ended February 29, 2008

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b>OPERATING REVENUES:</b>			
Charges for Service	<u>91 768 98</u>	<u>172 934 32</u>	<u>264 703 30</u>
<b>Total Operating Revenues</b>	<u>91 768 98</u>	<u>172 934 32</u>	<u>264 703 30</u>
<b>OPERATING EXPENSES:</b>			
Wages	21 757 31	44 182 83	65 940 14
Fringe Benefits	18 998 52	14 548 99	33 547 51
Administration fees	19 000 00	10 000 00	29 000 00
Operating supplies	2 365 04	27 433 73	29 798 77
Contracted services	4 707 92	7 522 73	12 230 65
Insurance	805 32	2 036 27	2 841 59
Utilities	8 338 88	24 036 90	32 375 78
Repairs and maintenance	<u>15 241 78</u>	<u>20 832 30</u>	<u>36 074 08</u>
<b>Total Operating Expenses</b>	<u>91 214 77</u>	<u>150 593 75</u>	<u>241 808 52</u>
Operating Income (loss) before depreciation	554 21	22 340 57	22 894 78
Less: depreciation	<u>(32 302 33)</u>	<u>(26 380 12)</u>	<u>(58 682 45)</u>
<b>Operating income (loss)</b>	<u>(31 748 12)</u>	<u>(4 039 55)</u>	<u>(35 787 67)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest income	2 453 00	4 186 82	6 639 82
Interest expense	<u>-</u>	<u>(19 875 00)</u>	<u>(19 875 00)</u>
<b>Total Non-operating Revenues (Expenses)</b>	<u>2 453 00</u>	<u>(15 688 18)</u>	<u>(13 235 18)</u>
<b>Change in net assets</b>	<u>(29 295 12)</u>	<u>(19 727 73)</u>	<u>(49 022 85)</u>
<b>Net assets, beginning of year</b>	<u>775 539 48</u>	<u>414 601 73</u>	<u>1 190 141 21</u>
<b>Net Assets, End of Year</b>	<u><u>746 244 36</u></u>	<u><u>394 874 00</u></u>	<u><u>1 141 118 36</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

**STATEMENT OF CASH FLOWS – BUSINESS-TYPE FUNDS**  
Year ended February 29, 2008

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	92 238 48	172 167 54	264 406 02
Cash payments to suppliers for goods and services	(68 660 82)	(102 995 57)	(171 656 39)
Cash payments to employees for services	<u>(21 757 31)</u>	<u>(44 182 83)</u>	<u>(65 940 14)</u>
Net cash provided (used) by operating activities	<u>1 820 35</u>	<u>24 989 14</u>	<u>26 809 49</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of fixed assets	(27 043 00)	-	(27 043 00)
Principal paid on bond maturities	-	(30 000 00)	(30 000 00)
Interest paid on bonds	<u>-</u>	<u>(19 875 00)</u>	<u>(19 875 00)</u>
Net cash provided (used) for capital and related financing activities	<u>(27 043 00)</u>	<u>(49 875 00)</u>	<u>(76 918 00)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest income	<u>2 453 00</u>	<u>4 186 82</u>	<u>6 639 82</u>
Net cash provided (used) by operating Activities	<u>2 453 00</u>	<u>4 186 82</u>	<u>6 639 82</u>
Net increase (decrease) in cash	(22 769 65)	(20 699 04)	(43 468 69)
Cash beginning of year	<u>179 637 74</u>	<u>228 020 70</u>	<u>407 658 44</u>
Cash End of Year	<u><u>156 868 09</u></u>	<u><u>207 321 66</u></u>	<u><u>364 189 75</u></u>
<b>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Income (loss) from operations	(31 748 12)	(4 039 55)	(35 787 67)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation	32 302 33	26 380 12	58 682 45
(Increase) decrease in receivables	469 50	(766 78)	(297 28)
Increase (decrease) in payable	<u>796 64</u>	<u>3 415 35</u>	<u>4 211 99</u>
Net Cash Provided (Used) in Operating Activities	<u><u>1 820 35</u></u>	<u><u>24 989 14</u></u>	<u><u>26 809 49</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS  
February 29, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Village of Breckenridge, Gratiot County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Village contain all the Village funds that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of Breckenridge. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering good in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS  
February 29, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 14. The Village 2007 tax roll millage rate was 17.6061 mills, and the taxable value was \$18,907,863.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Village as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	50 – 200 years
Furniture and equipment	6 – 50 years

Compensated Absences (Vacation and Sick Leave)

The estimated current portion of the liability for vacation benefits attributable to the Village's governmental funds is recorded as an expenditure and liability in the respective funds. The long-term portion is recorded in the general long-term debt account group. The amounts attributable to proprietary funds are charged to expense and a corresponding liability in the applicable fund. Employees may accumulate a limited number of days of vacation leave and are paid for unused vacation leave upon termination of employment. Employees receive sick leave but it does not vest and it is not paid upon termination of employment.

Post-employment Benefits

The Village provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.



VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS  
February 29, 2008

**Note 2 – Budgets and Budgetary Accounting**

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

**Note 3 – Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated two banks for the deposit of Village funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Village's deposits and investments are in accordance with statutory authority.

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS  
February 29, 2008

**Note 3 – Deposits and Investments**

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>973 204 01</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	144 129 99
Uninsured and Uncollateralized	<u>841 589 11</u>
Total Deposits	<u>985 719 10</u>

The Village of Breckenridge did not have any investments as of February 29, 2008.

**Note 4 – Capital Assets**

Capital asset activity of the Village's Governmental and Business-Type activities for the current year was as follows:

	<u>Balance 3/1/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2/29/08</u>
<b><u>Governmental Activities:</u></b>				
Land	71 000 00	56 374 06	-	127 374 06
Buildings and Improvements	379 000 00	-	-	379 000 00
Equipment	<u>453 578 74</u>	<u>14 800 00</u>	<u>(37 700 00)</u>	<u>430 678 74</u>
Total	903 578 74	71 174 06	(37 700 00)	937 052 80
Accumulated Depreciation	<u>(226 961 13)</u>	<u>(55 760 46)</u>	<u>37 700 00</u>	<u>(245 021 59)</u>
Net Governmental Capital Assets	<u>676 617 61</u>	<u>15 413 60</u>	<u>-</u>	<u>692 031 21</u>
<b><u>Business-Type Activities:</u></b>				
Water and Sewer Systems	2 768 716 70	27 043 00	-	2 795 759 70
Accumulated Depreciation	<u>(1 518 446 15)</u>	<u>(58 682 45)</u>	<u>-</u>	<u>(1 577 128 60)</u>
Net Business-Type Capital Assets	<u>1 250 270 55</u>	<u>(31 639 45)</u>	<u>-</u>	<u>1 218 631 10</u>

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS  
February 29, 2008

**Note 5 – Deferred Compensation Plan**

The Village does not have a deferred compensation plan.

**Note 6 – Pension Plan**

**A. Plan Description**

The Village has a defined benefit pension plan covering substantially all full-time employees. The plan is operated by the State of Michigan Municipal Employees Retirement System (MERS), which is a cost-sharing multiple-employer retirement system.

The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Benefits vest after 10 years of service. Normal retirement is based on one of the following requirements:

1. Age 60 with 10 or more years of credited service
2. Age 55 with 15 or more years of credited service
3. Age 50 with 25 or more years of credited service

The Village's current year covered payroll and its total current year payroll for all employees amounted to \$298,650.45 and \$428,579.15 respectively.

**B. Contributions Required and Contributions Made**

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

Total contributions made during the fiscal year ended February 29, 2008, amounted to \$47,896.09.

**C. Pension Benefit Obligation**

The "pension benefit obligation" (PBO) is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure, also known as the actuarial present value of credited projected benefits (APVCPB), is intended to (i) help users assess the plan's funding status on a going-concern basis, (ii) assess progress being made in accumulating sufficient assets to pay benefits when due, and (iii) allow for comparisons among public employee retirement plans. The APVCPB is independent of the actuarial funding method used to determine contributions to the plan.

The pension benefits obligation was determined as part of an actuarial valuation of the plan as of December 31, 2006. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year (annually) after retirement, for persons under Benefit E-1 or E-2.

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS  
February 29, 2008

Note 6— Pension Plan (continued)

C. Pension Benefit Obligation (continued)

At December 31, 2006, for the Village of Breckenridge, the unfunded actuarial accrued liability was \$656,589 determined as follows:

Retirees and beneficiaries currently receiving benefits	804 810
Terminated employees not yet receiving benefits	19 990
Current employees – Accumulated employee contributions including allocated investment income	148 044
Current employees – Employer Financed	<u>1 149 128</u>
Total Actuarial Accrued Liability	2 121 672
Net Assets Available for Benefits, at Actuarial Value (Market Value is \$1,485,578)	<u>1 465 083</u>
Unfunded (Overfunded) Actuarial Accrued Liability	<u><u>656 589</u></u>

For the fiscal year beginning March 1, 2008, the annual required contribution is \$43,980 with the amortization factor used of .054719.

Note 7 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	1 076 20	Local Street	1 076 20
Sewer	<u>11 495 08</u>	Water	<u>11 495 08</u>
Total	<u><u>12 571 28</u></u>	Total	<u><u>12 571 28</u></u>

Note 8 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 3/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 2/29/08</u>
Contract payable- police car	10 360 60	-	8 333 03	2 027 57
Contract payable- cemetery land	-	28 035 00	-	28 035 00
Water revenue bonds – 1983	305 000 00	-	15 000 00	290 000 00
Water revenue bonds – 1998	<u>185 000 00</u>	<u>-</u>	<u>15 000 00</u>	<u>170 000 00</u>
Totals	<u><u>500 360 60</u></u>	<u><u>28 035 00</u></u>	<u><u>38 333 03</u></u>	<u><u>490 062 57</u></u>

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS  
February 29, 2008

**Note 9 – Contract Payable- Police Car**

On July 20, 2005 the Village obtained a loan from General Motors Acceptance Corporation in the amount of \$22,000.00 to fund the purchase of a new police car. The contract payable requires thirty six monthly payments in the amount of \$684.83 including interest at the rate of 8.00% per annum. As of February 29, 2008, the principal balance outstanding on the contract was \$2,027.57.

**Note 10 – Contract Payable – Cemetery Land**

On November 27, 2007, the Village entered a contract to purchase land for cemetery use from Graham Group Properties, L.L.C. at a cost of \$56,070.00. The contract required an immediate payment of \$28,035.00 and a final payment of \$28,035.00, without interest, by December 1, 2008.

**Note 11- Water Supply System Revenue Bonds- Series 1983**

On January 11, 1983, the Village had issued Water Supply System Revenue Bonds in the amount of \$560,000.00 for the purpose of paying part of the cost of constructing additions and improvements to the water supply system of the Village of Breckenridge. The bonds bear interest at the rate of 5.0%, per annum, payable semi-annually on March 1 and September 1 of each year. Bonds outstanding as of February 29, 2008, were \$290,000.00 and they are recorded in the Water Fund as follows:

<u>Due September 1</u>	<u>Principal Amount</u>
2008	15 000 00
2009	15 000 00
2010	20 000 00
2011	20 000 00
2012	20 000 00
2013	20 000 00
2014	20 000 00
2015	20 000 00
2016	20 000 00
2017	20 000 00
2018	20 000 00
2019	20 000 00
2020	20 000 00
2021	20 000 00
2022	<u>20 000 00</u>
<b>Total</b>	<u><u>290 000 00</u></u>

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS  
February 29, 2008

**Note 12 - Water Supply System Revenue Bonds – Series 1998**

On September 29, 1998, the Village issued \$291,221.00 in water supply system revenue bonds to fund improvements to the water system. The bonds were purchased by the Michigan Municipal Bond Authority. The principal is payable over a twenty year period with interest at the rate of 2.50% per annum. As of February 29, 2008, the outstanding principal balance was \$170,000.00 and it is recorded in the Water Fund.

<u>Due October 1</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
2008	2.50%	15 000 00
2009	"	15 000 00
2010	"	15 000 00
2011	"	15 000 00
2012	"	15 000 00
2013	"	15 000 00
2014	"	15 000 00
2015	"	15 000 00
2016	"	15 000 00
2017	"	15 000 00
2018	"	20 000 00
Total		<u>170 000 00</u>

**Note 13 – Risk Management**

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 14 – Segment Information for Enterprise Funds**

The Village maintains two Enterprise Funds which provide sewer and water services. Segment information for the year ended February 29, 2008, is as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>
Operating revenues	91 768 98	172 934 32
Depreciation expense	32 302 33	26 380 12
Operating income (loss)	(31 748 12)	(4 039 55)
Change in net assets	(29 295 12)	(19 727 73)
Property, plant and equipment:		
Additions	27 043 00	-
Net working capital	174 634 33	17 426 52
Bonds and contracts payable	-	460 000 00
Total net assets	746 244 36	394 874 00

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS  
February 29, 2008

**Note 15 – Transfers In and Transfers Out**

For the fiscal year ended, February 29, 2008, the Village made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Local Street	20 463 50	Major Street	20 463 50
Total	20 463 50	Total	20 463 50

**Note 16 – Reserved Fund Balances/Net Assets**

As of February 29, 2008, the Cemetery Fund had \$94,422.30 in reserved fund balance which is reserved for creating future revenue. As of February 29, 2008, the Water Fund had \$190,426.41 in restricted net assets, \$40,075.26 for debt service and \$150,351.15 for equipment replacement.

**Note 17 – Building Permits**

The Village of Breckenridge does not issue building permits. They are handled by Gratiot County.

**Note 18 – Budget Variances**

For the fiscal year ended February 29, 2008, the Village had the following budget variances:

	<u>Final Budget</u>	<u>Actual Expenditure</u>	<u>Budget Variance</u>
General Fund:			
Fire protection	3 000 00	5 668 89	2 668 89
Department of Public Works	144 500 00	149 265 56	4 765 56
Recreation	8 250 00	8 665 16	415 16
Cemetery Fund:			
Capital outlay	-	63 774 06	63 774 06

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended February 29, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	329 000 00	329 000 00	353 736 40	24 736 40
Licenses and permits	9 000 00	9 000 00	6 775 25	(2 224 75)
State revenue sharing	162 100 00	157 100 00	149 633 29	(7 466 71)
Charges for services:				
Trash collection	55 000 00	55 000 00	55 416 00	416 00
Administrative	53 400 00	53 400 00	42 900 00	(10 500 00)
Tax collection	4 000 00	4 000 00	3 534 43	(465 57)
Other	1 000 00	1 000 00	-	(1 000 00)
Fines and forfeits	2 500 00	2 500 00	3 010 91	510 91
Interest	4 000 00	4 000 00	4 241 34	241 34
Donations	6 000 00	6 000 00	5 540 00	(460 00)
Miscellaneous	56 000 00	56 000 00	50 723 63	(5 276 37)
Total revenues	<u>682 000 00</u>	<u>677 000 00</u>	<u>675 511 25</u>	<u>(1 488 75)</u>
Expenditures:				
Legislative:				
Village Council	29 200 00	29 200 00	22 800 69	(6 399 31)
General government:				
Village Manager	65 000 00	65 000 00	64 033 04	(966 96)
Elections	3 000 00	3 000 00	1 986 54	(1 013 46)
Financial Administration	112 000 00	112 000 00	108 248 47	(3 751 53)
Village Hall and grounds	82 700 00	77 700 00	44 005 69	(33 694 31)
Public safety:				
Police protection	214 200 00	214 200 00	207 573 66	(6 626 34)
Fire protection	3 000 00	3 000 00	5 668 89	2 668 89
Planning and zoning	4 200 00	4 200 00	1 726 75	(2 473 25)
Public works:				
Department of Public Works	144 500 00	144 500 00	149 265 56	4 765 56
Sanitation	55 300 00	55 300 00	52 743 30	(2 556 70)
Culture and recreation:				
Recreation	8 250 00	8 250 00	8 665 16	415 16
Capital outlay	7 400 00	7 400 00	7 400 00	-
Debt Service	10 000 00	10 000 00	8 902 79	(1 097 21)
Total expenditures	<u>738 750 00</u>	<u>733 750 00</u>	<u>683 020 54</u>	<u>(50 729 46)</u>
Excess (deficiency) of revenues over expenditures	<u>(56 750 00)</u>	<u>(56 750 00)</u>	<u>(7 509 29)</u>	<u>49 240 71</u>
Other financing sources (uses):				
Opening transfers out	<u>(6 250 00)</u>	<u>(6 250 00)</u>	<u>-</u>	<u>6 250 00</u>
Total other financing sources (uses)	<u>(6 250 00)</u>	<u>(6 250 00)</u>	<u>-</u>	<u>6 250 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(63 000 00)</u>	<u>(63 000 00)</u>	<u>(7 509 29)</u>	<u>55 490 71</u>
Fund balance, March 1	<u>63 000 00</u>	<u>63 000 00</u>	<u>250 467 52</u>	<u>187 467 52</u>
Fund Balance, February 29	<u>-</u>	<u>-</u>	<u>242 958 23</u>	<u>242 958 23</u>



VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

**BUDGETARY COMPARISON SCHEDULE – MAJOR STREET FUND**  
Year ended February 29, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
State revenue sharing	67 500 00	67 500 00	77 615 11	10 115 11
Interest	<u>500 00</u>	<u>500 00</u>	<u>318 42</u>	<u>(181 58)</u>
Total revenues	<u>68 000 00</u>	<u>68 000 00</u>	<u>77 933 53</u>	<u>9 933 53</u>
Expenditures:				
Public works:				
Highways and streets	<u>75 500 00</u>	<u>75 500 00</u>	<u>57 213 70</u>	<u>(18 286 30)</u>
Total expenditures	<u>75 500 00</u>	<u>75 500 00</u>	<u>57 213 70</u>	<u>(18 286 30)</u>
Excess (deficiency) of revenues over expenditures	<u>(7 500 00)</u>	<u>(7 500 00)</u>	<u>20 719 83</u>	<u>28 219 83</u>
Other financing sources (uses):				
Operating transfers out	<u>(31 300 00)</u>	<u>(31 300 00)</u>	<u>(20 463 50)</u>	<u>10 836 50</u>
Total other financing sources (uses)	<u>(31 300 00)</u>	<u>(31 300 00)</u>	<u>(20 463 50)</u>	<u>10 836 50</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(38 800 00)	(38 800 00)	256 33	39 056 33
Fund balance, March 1	<u>38 800 00</u>	<u>38 800 00</u>	<u>118 065 83</u>	<u>79 265 83</u>
Fund Balance, February 29	<u>-</u>	<u>-</u>	<u>118 322 16</u>	<u>118 322 16</u>

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

**BUDGETARY COMPARISON SCHEDULE – LOCAL STREET FUND**  
Year ended February 29, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
State revenue sharing	31 250 00	36 250 00	36 952 79	702 79
Interest	<u>450 00</u>	<u>450 00</u>	<u>271 21</u>	<u>(178 79)</u>
Total revenues	<u>31 700 00</u>	<u>36 700 00</u>	<u>37 224 00</u>	<u>524 00</u>
Expenditures:				
Public works:				
Highways and streets	<u>63 000 00</u>	<u>68 000 00</u>	<u>26 629 16</u>	<u>(41 370 84)</u>
Total expenditures	<u>63 000 00</u>	<u>68 000 00</u>	<u>26 629 16</u>	<u>(41 370 84)</u>
Excess (deficiency) of revenues over expenditures	<u>(31 300 00)</u>	<u>(31 300 00)</u>	<u>10 594 84</u>	<u>41 894 84</u>
Other financing sources (uses):				
Operating transfers out	<u>31 300 00</u>	<u>31 300 00</u>	<u>20 463 50</u>	<u>(10 836 50)</u>
Total other financing sources (uses)	<u>31 300 00</u>	<u>31 300 00</u>	<u>20 463 50</u>	<u>(10 836 50)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	-	31 058 34	31 058 34
Fund balance, March 1	<u>-</u>	<u>-</u>	<u>78 636 77</u>	<u>78 636 77</u>
Fund Balance, February 29	<u>-</u>	<u>-</u>	<u>109 695 11</u>	<u>109 695 11</u>

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

**BUDGETARY COMPARISON SCHEDULE – LIBRARY FUND**  
Year ended February 29, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>Revenues:</b>				
State revenue sharing	4 600 00	4 600 00	4 231 92	(368 08)
Charges for services	4 800 00	4 800 00	4 010 74	(789 26)
Fines and forfeits	59 300 00	59 300 00	68 578 01	9 278 01
Interest	1 000 00	1 000 00	1 450 37	450 37
Donations	900 00	900 00	1 630 00	730 00
Miscellaneous	1 000 00	1 000 00	6 040 47	5 040 47
<b>Total revenues</b>	<b>71 600 00</b>	<b>71 600 00</b>	<b>85 941 51</b>	<b>14 341 51</b>
<b>Expenditures:</b>				
Culture and recreation:				
Library	108 150 00	108 150 00	104 434 88	(3 715 12)
<b>Total expenditures</b>	<b>108 150 00</b>	<b>108 150 00</b>	<b>104 434 88</b>	<b>(3 715 12)</b>
<b>Excess (deficiency) of revenues   over expenditures</b>	<b>(36 550 00)</b>	<b>(36 550 00)</b>	<b>(18 493 37)</b>	<b>18 056 63</b>
<b>Fund balance, March 1</b>	<b>36 550 00</b>	<b>36 550 00</b>	<b>73 271 92</b>	<b>36 721 92</b>
<b>Fund Balance, February 29</b>	<b>-</b>	<b>-</b>	<b>54 778 55</b>	<b>54 778 55</b>

VILLAGE OF BRECKENRIDGE  
Gratiot County, Michigan

**BUDGETARY COMPARISON SCHEDULE – CEMETERY FUND**  
Year ended February 29, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Charges for services	29 000 00	29 000 00	33 319 07	4 319 07
Interest	4 500 00	4 500 00	4 807 36	307 36
Miscellaneous	-	-	6 200 00	6 200 00
Total revenues	<u>33 500 00</u>	<u>33 500 00</u>	<u>44 326 43</u>	<u>10 826 43</u>
Expenditures:				
General Government:				
Cemetery	40 500 00	40 500 00	26 135 31	(14 364 69)
Capital outlay	-	-	63 774 06	63 774 06
Total expenditures	<u>40 500 00</u>	<u>40 500 00</u>	<u>89 909 37</u>	<u>49 409 37</u>
Excess (deficiency) of revenues over expenditures	<u>(7 000 00)</u>	<u>(7 000 00)</u>	<u>(45 582 94)</u>	<u>(38 582 94)</u>
Other financing sources (uses):				
Loan proceeds	-	-	28 035 00	28 035 00
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>28 035 00</u>	<u>28 035 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(7 000 00)</u>	<u>(7 000 00)</u>	<u>(17 547 94)</u>	<u>(10 547 94)</u>
Fund balance, March 1	<u>7 000 00</u>	<u>7 000 00</u>	<u>126 262 51</u>	<u>119 262 51</u>
Fund Balance, February 29	<u>-</u>	<u>-</u>	<u>108 714 57</u>	<u>108 714 57</u>

# CAMPBELL, KUSTERER & CO., P.C.

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

March 20, 2008

To the Village Council  
Village of Breckenridge  
Gratiot County, Michigan

We have audited the financial statements of the governmental activities, business type activities and each major fund, of the Village of Breckenridge, Gratiot County, Michigan, as of and for the year ended February 29, 2008, and have issued our report thereon dated March 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Village of Breckenridge's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Breckenridge's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted an inadequate control over accounting transactions caused by an inherent lack of segregation of duties which is due to the limited number of office personnel employed involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended for the information of management and other regulatory agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER AND CO., P.C.  
Certified Public Accountants

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

March 20, 2008

To the Village Council  
Village of Breckenridge  
Gratiot County, Michigan

We have audited the financial statements of the Village of Breckenridge for the year ended February 29, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Village of Breckenridge in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Village Council  
Village of Breckenridge  
Gratiot County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were given to the Village Clerk/Treasurer and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

The Village's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Village cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Village Council Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the Village's financial statements, dated February 29, 2008.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants